

Message Text

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20

ACTION EUR-12

INFO OCT-01 AF-06 IO-10 ISO-00 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 /100 W

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FM AMEMBASSY LISBON

TO SECSTATE WASHDC 2802

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: EAID, PFOR, EEC, EFTA, PO, UK, GW

SUBJ: PROSPECTIVE EC, EFTA AID

SUMMARY: WIDESPREAD REPORTS OF POSSIBLE AID TO
PORTUGAL FROM EC AND EFTA, TO BE DISCUSSED IN SUPCOMING
SUMMIT MEETINGS, ARE LARGELY UNDEFINED. MEANWHILE, BRITISH
AID PROGRAM IS AT IMPASSE AWAITING CONCRETE PROPOSALS, WHILE IT
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APPEARS GERMAN LOAN OF 29.5 MILLION DOLLARS WILL GO TO LOW-COST

HOUSING. END SUMMARY.

1. LISBON PRESS IN LAST TEN DAYS HAS FEATURED REPORTS OF PROSPECTIVE, THOUGH MOSTLY UNDEFINED, ASSISTANCE FROM WESTERN EUROPE.

2. LAST WEEK PRESS REPORTED THAT EC HAS DECIDED TO MAKE CONCRETE ITS DECLARATIONS OF "SOLIDARITY" BY DEFINING FORMS OF AID BEFORE JULY 16-17 EC SUMMIT. ACCORDING TO REPORTS, AID PROGRAM WILL BE GENERALLY CHanneLED TO AREAS REQUESTED BY PORTUGUESE GOVERNMENT--AID FOR INDUSTRIALIZATION, TECHNICAL ASSISTANCE TO SMALLER ENTERPRISES, ASSISTANCE TO PORTUGUESE EMIGRANT WORKERS, AND IMPROVED TRADE CONCESSIONS. LATTER AREA REPORTEDLY EVOKED CONCERN FROM ITALISN AND FRENCH ABOUT "SENSITIVE POINTS" SUCH AS IMPORTS OF WINE AND MEDITERRANEAN-TYPE AGRICULTURAL PRODUCTS.

3. ALSO LAST WEEK EC'S DIRECTOR-GENERAL OF COOPERATION AND DEVELOPMENT, HANS-BRODER KROHN, VISITED LISBON FOR TALKS WITH OFFICIALS. PRINCIPAL TOPIC WAS EC AID TO PORTUGAL'S FORMER COLONIES--ESPECIALLY MOZAMBIQUE, WHICH KROHN WAS SCHEDULED TO VISIT SHORTLY.

4. THIS WEEK, EFTA HAS BEEN IN SPOTLIGHT DUE TO TWO-DAY VISIT BY TEAM LED BY EFTA SECRETARY-GENERAL BENGT RABAEUS. PURPOSE OF VISIT WAS TO DEFINE CONCRETE AID PROPOSALS TO PRESENT TO EFTA COUNCIL OF MINISTERS MEETING MAY 22.

5. ALTHOUGH RABAEUS SIDESTEPED QUESTION ABOUT FINANCIAL AID ("A QUESTION TO BE DECIDED"), HE DISCUSSED POSSIBLE CREATION OF AN INDUSTRIAL DEVELOPMENT FUND. (COMMENT: FUND WAS ALSO MENTIONED BY NORWEGIAN AND SWEDISH OFFICIALS ON PREVIOUS VISITS.) SPECIFIC MENTION WAS ALSO MADE OF POSSIBLE TECHNICAL ASSISTANCE IN SOCIAL WELFARE, PUBLIC ADMINISTRATION, FISHERIES, INDUSTRY, AND AGRICULTURE FIELDS.

6. COMMENT: A. PORTUGUESE GOVERNMENT OFFICIALS AND EC/EFTA EMBASSIES HERE HAVE CONFIRMED ABOVE REPORTS TO US.
B. BRITISH AND WEST GERMAN EMBASSIES REPORT THAT THEIR PROGRAMS ARE AT ABOUT SAME STAGE AS U.S. AID PROGRAM LIMITED OFFICIAL USE

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WAS SEVERAL MONTHS AGO. BRITISH ESPECIALLY ARE HAVING DIFFICULTY GETTING PORTUGUESE GOVERNMENT TO DEFINE SPECIFIC PROPOSALS AND PROJECTS.

C. WEST GERMANS AND PORTUGUESE HAVE REACHED TENTATIVE AGREEMENT FOR APPLYING 70 MILLION DEUTSCHMARK (29.5 MILLION DOLLARS) LOAN ALREADY EARMARKED FOR PORTUGAL (LISBON 2080, BONN 6043 NOTAL) TO LOW-INCOME HOUSING. ACCORDING TO PORTUGUESE HOUSING DEVELOPMENT FUND, GERMAN LOAN WILL BE

GRANTED FOR 40 YEARS AT 2-3 PERCENT (LISBON 2678 NOTAL).
THESE TERMS ARE CONSIDERABLY BETTER THAN U.S.
AID PACKAGE.
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